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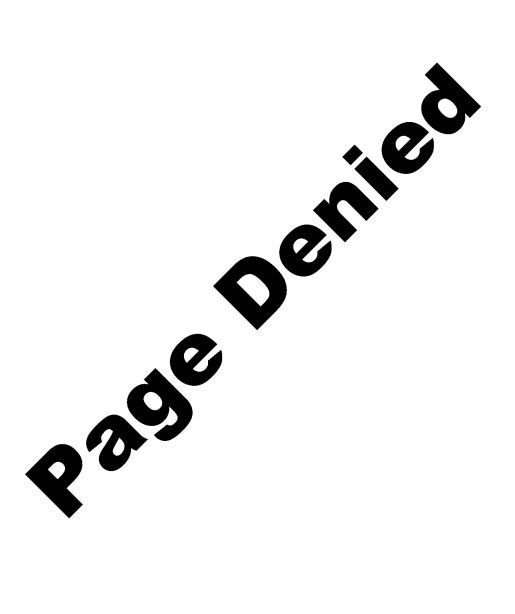
STAFF NOTES:

Western Europe Canada International Organizations

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No. 0230-75 July 17, 1975



WESTERN EUROPE - CANADA - INTERNATIONAL ORGANIZATIONS

This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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British Tories to Abstain on Economic Policy Vote

The opposition Tories have decided to abstain when the Wilson government's anti-inflation program is voted on in Commons, probably sometime next week. The Tories will propose an amendment welcoming the government's programs but pointing out that it does not go far enough. The key feature of the program announced last week is to limit wage increases to 10 percent in an effort to fight the country's mounting annual inflation rate, now over 25 percent.

The Tories may have decided to maintain a low profile on this issue because they cannot agree among themselves on the best way to tackle the country's economic ills. One Tory spokesman recently identified for the US embassy three viewpoints within the party:

- --one which believes that inflation can be brought under control only through statutory measures. This group is led by Peter Walker, former trade and industry secretary and a strong supporter of former prime minister Heath;
- --another which advocates a strict monetary policy. The spokesman for this group is Sir Keith Joseph, who has influenced party leader Thatcher's thinking on economic matters. Recently, Thatcher has begun to steer away from this group;
- --a third group which is made up primarily of party backbenchers who will go along with whatever economic policy the shadow cabinet formulates.

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The Tory spokesman said that the shadow cabinet has held several meetings in an effort to draw up an economic program but has been unable to reach a concensus. This indecision hampers Thatcher in performing effectively in parliamentary debate.

Meanwhile, the Confederation of British Industry, never enthusiastic about voluntary wage restraints, warned the government that the policy was unworkable unless loopholes were plugged and firms were allowed to take legal action against militant workers. Industry leaders would prefer not to assume reponsibility for reporting breaches of government policy and believe that the government should perform this function.

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More on Poniatowski and French Nuclear Sales to South Korea

Last week during a visit to Canada, French Interior Minister Poniatowski answered "no" to a reporter's question about whether France intended to sell uranium reprocessing equipment to Seoul. Soon afterward, the Canadian External Affairs Minister, not knowing of Poniatowski's remark, stated that his South Korean counterpart said Seoul would buy such equipment from the French. A flurry of requests for clarification have provoked several responses in Paris. French officials confirm that talks are under way, but add that a final decision has not been made.

The Director of the French Foreign Minister's personal cabinet told a US embassy officer that Interior Minister Poniatowski was neither well informed nor properly briefed on the sale, which is outside his purview. The Quai's Scientific Affairs Director told another embassy officer that Poniatowski really meant to say that a final decision had not been made, while the Canadians have suggested that he merely misunderstood the question.

It remains possible, however, that Poniatowski knew precisely what he was saying and had concluded on the spot that it was not worth jeopardizing good relations with Canada and current negotiations for a multi-billion dollar uranium enrichment plant in Quebec for the sake of the relatively small sale to South Korea. Canadians have been concerned that the French sale, combined with the sale of Canadian nuclear reactors, could give Seoul a nuclear weapons capability.

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Poniatowski, as President Giscard's closest confidente, is in a good position to influence the outcome if he should decide to press any opposition to the sale.

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Franco's Disparagement of Parties Draws Reaction in Spain

The recent speech by General Franco to Civil War veterans in which he described the illegal opposition parties as "yapping dogs" has drawn the first public action by the center-left Democratic Conference since its formation last month. The new group circulated a manifesto calling for a break with the Franco regime.

The manifesto, which was given to foreign newsmen, said that for nearly 40 years Spain has been oppressed by an anti-democratic regime which has curtailed fundamental human freedoms. The manifesto called for the "reestablishment of popular sovereignty through an essential break with the regime and the beginning of a constitutional period."

The 16 parties which signed the document formally constituted themselves into an organization last month after deciding against joining the Communist-dominated Democratic Junta formed in Paris last year. The new group is made up of parties which are likely to draw the largest membership if open partisan activity is permitted in post-Franco Spain. These include five Christian Democratic and four Socialist groups.

General Franco's statement to the veterans that in the case of illegal parties too much importance is being given to "yapping dogs which are no more than tiny minorities," will further hinder Prime Minister Arias' efforts to encourage the non-Communist parties to apply for legal status as political associations willing to cooperate to liberalize the Franco regime.

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Strikes May Impede Canadian Nuclear Production

Threats of a strike next week by Canadian nuclear scientists and engineers could halt production of nuclear power equipment intended for domestic and foreign markets.

A spokesman for the Society of Professional Engineers and Associates expressed hope that Atomic Energy of Canada Ltd. would improve its wage offer and avert a walkout. However, the union's demand for a 47.5 percent wage increase over 33 months far exceeds the company's offer of a 17.7 percent increase over two years. The union yesterday voted overwhelmingly in favor of a strike unless there is a "substantial improvement" in the wage offer by the deadline on July 22.

Contracts for facilities valued at some \$6 billion would be affected, including a reactor being built for Argentina.

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Italian Communists Take Independent Line on International Labor Questions

A top official of Italy's communist labor federation has given a rundown of his organization's attitudes toward the Communist labor international and the European labor confederation that clearly distinguishes between Italian and French Communist viewpoints.

Roberto Scalia, head of the Communist federation's (CGIL) international affairs department, recently discussed labor matters

Scalia was appar-

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ently candid in expressing his views, which are representative of those held by other Italian Communist leaders.

Among Scalia's more interesting remarks were the following:

- --During the last several years the communist labor international has become almost exclusively a Soviet propaganda instrument. The Italians, accordingly, have lost interest in the WFTU. The Italian affiliate changed its WFTU status--from full to associate member--in line with the conditions laid down for Italian membership in the European Trade Union Confederation (ETUC).
- --The Italians are actively and enthusiastically participating in ETUC activities. They are convinced that the organization has a real potential for advancing Italian labor interests in the context of the European economy and EC institutions.

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- --The Italian confederation considers it a "question of honor" that the French communistdominated labor confederation (CGT), which has applied for membership in the European confederation, must loosen its ties with the communist international as the price for admission. They are counting on the West German and French democratic labor organizations to block CGT membership, should the latter continue to insist on retaining full membership in the communist The US mission in Brussels international. has confirmed that the Italians have carefully avoided any involvement in the CGT issue whenever it has been discussed by the European confederation.
- --Italian communists accept a pluralistic political system and the achievement of socialism through majority rule. This acceptance is based on a recognition that European society has become so complex that rigid Marxist precepts are no longer valid. They believe that their French counterparts are living in thepast, and have learned nothing from the Stalinist experience. The resultant ideological and tactical differences are unbridgeable.

Scalia is correct in his assessment of the communist labor international. Largely moribund, it does not represent a significant source of attraction to trade unions outside the communist world. The Italians undoubtedly are convinced that their interests are better served through ETUC, even though that organization still falls far short of being an effective institution.

The admission of communist-controlled unions to democratic labor confederations has been of major concern to many Western labor organizations-notably the West Germans and the AFL-CIO. The CGIL's admission to the European confederation

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was seen by some as the start of a gradual communist effort to undermine the Western labor movement. The Italians have in fact been a model member since joining ETUC, and it's secretary general told the US Mission recently that the Italians have consistently sent high caliber people to Brussels. They have acted like "real Europeans" as well as bona fide trade unionists in support of confederation initiatives. This behavior has led many to consider that earlier apprehensions were unjustified.

The differences between the French and Italian parties—as well as the Italian good behavior thus far in the European confederation—reflect fundamentally different approaches to gaining influence for communists. However, it would be premature to conclude that the Italian party has given up the Leninist precept that any means—peaceful or revolutionary—can be used to attain sole power. On the other hand, the Italians, in drawing closer to the mainstream thinking of the democratic labor organizations, may have a greater effect on consolidating the influence of the latter than in furthering revolutionary aims.

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Turkish Government Still Hopeful on US Arms Embargo

The Turkish government evidently still hopes to avoid upsetting efforts currently under way to lift the US arms embargo, despite the expiration today of its self-imposed deadline for rescinding the embargo.

Turkish Foreign Minister Caglayangil told the US ambassador today that his government would defer steps to place the US defense installations on a provisional status pending new agreements. Turkey was postponing action despite the fact that developments with respect to lifting the embargo were "not as strong as expected" during the 30-day grace period announced on June 17. Caglayangil said any move to place the installations on a provisional status would create "difficulties" for President Ford's efforts to lift the embargo. He added that a final decision on the matter will be made once the US Congress has acted.

Caglayangil claimed, however, that it was necessary for Turkey to open negotiations immediately to revise the status of joint defense installations. He made it clear that such negotiations need not deal with substantive matters for some time, suggesting they were being initiated in part with an eye to mollifying the government's harsher critics. Caglayangil pointed out to Ambassador Macomber that the previous day's cabinet discussion on the subject was "difficult" and expressed concern about the domestic reaction to the government's temporizing action.

The first session between US and Turkish negotiators took place today but it was largely ceremonial. The Turkish side noted that it will not call for another meeting until the results of President Ford's effort with the Congress are known.

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ANNEX

Italy's Christian Democrats Begin Review of Leadership and Policies

When the leaders of Italy's Christian Democratic Party gather on Saturday to debate the implications of last month's regional and local elections they will be preoccupied with one overriding fact: for the first time the party is in real danger of losing its dominant position in national politics to the Communists. The Christian Democrats and Communists have, respectively, been Italy's largest and second largest parties during most of the postwar period, but until the June contests there has never been less than 10 percentage points between them. In June, however, the Communists pulled to within about 2 percent of the Christian Democrats at the regional, provincial, and municipal levels.

With that in mind, the 120-member Christian Democratic national council--the party's principal deliberative body--will tomorrow face two basic problems:

- --how to minimize the damage to the party's position in regional and local governments,
- --how to prevent the Communists from duplicating or improving on their performance in the next national parliamentary elections, which must be held no later than 1977.

There is probably not much the Christian Democrats can do about the regional and local situation. Two weeks ago, the party's executive

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-11-SECRET directorate called for the formation of center-left governments--i.e. Christian Democrats, Socialists, Social Democrats, and Republicans--wherever possible. But the Socialists, whose moderate gains gave them the option in many areas either of joining center-left governments or of linking up with the Communists, have so far shown a preference for alliances with the Communists.

Last week, for example, the Socialists chose to join a Communist-led government in Liguria, which added a fourth region to the "red belt," the north-central area where the Communists have long held the balance of power. In addition, the Socialists are leaning toward a minority government with the Communists in the key northern region of Piedmont, despite the fact that a centerleft coalition would have a majority there.

The Christian Democrats face a particularly difficult problem in deciding the line to take with the Socialists, who are not excluding them a priori from these governments. In fact, both the Socialists and Communists emphasize that their coalitions are "open" to all parties except the neo-fascists. This forces the Christian Democrats either to relinquish their share of power in many areas or join the other two parties in local governments that would inevitably be regarded as a move toward Communist chief Berlinguer's "historic compromise" proposal aimed at cooperation among the three parties in Rome.

In an effort to turn the situation around before the next national elections, the Christian Democrats will be critically reassessing their leadership and policies. Although Christian Democratic leaders generally say they do not want to make a scapegoat of party chief Amintore Fanfani, most seem to have concluded that he has to go. An overwhelming

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majority in the party's executive directorate broke with Fanfani on the issue of whether to postpone the reassessment until the party congress next fall. Prime Minister Moro-Fanfani's last major prop--is expected to withdraw his support at the council meeting. Thus, even if the council does not vote Fanfani out now--he says he will not resign--it will at least pave the way for his departure, which is likely to be no later than the party congress.

Maneuvering for a successor is already under way among the Christian Democrats' six factions. The largest of the center factions -- which includes Foreign Minister Rumor and represents about a third of the party--does not now hold either the party leadership post or the prime minister's office and is therefore a logical candidate to provide the new leader. A front runner within the faction is 60-year-old Flaminio Piccoli-the leader of the Christian Democratic delegation in parliament's lower house. Although he has recently been regarded as a conservative, Piccoli appears to have had some success during the last few weeks in mending fences with Christian Democratic left-wingers, whose approval will be essential to Fanfani's successor. Other prominent contenders are Rumor and Budget Minister Andreotti, who leads his own faction.

Prime Minister Moro has another idea for handling the succession.

He is proposing a collegial leadership to continue an assessment of the party's policies and to run things until an across-the-board review can be undertaken at the party congress.

The Christian Democrats will also have to decide what kind of government should follow Moro's Christian Democrat-Republican

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coalition--supported in parliament by the Social Democrats and Socialists--which everyone regards to have been a stop-gap to bridge the June elections. The Christian Democrats do not have many options. They can

- --pay the price the Socialists are demanding for their return to full participation in the center-left coalition. That would involve programmatic and ministerial concessions to the Socialists, along with a larger chunk of the patronage available in the public sector of the economy.
- --insist on the traditional center-left formula, in which the Christian Democrats would continue to hold most of the power. The Socialists would balk, however, and the ensuing political crisis could lead to early national elections.
- --try to revive the centrist coalition, replacing the Socialists with the small and conservative Liberal Party. Although mathematically possible, its thin majority and the nationwide decline of the Liberals in the regional elections would make the centrist alternative just another stop-gap.

In addition to these immediate problems, the Christian Democrats will have to address the longer-range issue of their relations with the Communists. The election results suggest that Italians in increasing numbers view the Communists as a legitimate national party, so it will be hard for the Christian Democrats merely to reiterate their opposition to the Communists on ideological grounds. The Christian Democrats are not likely to make a deal with the Communists, however, unless forced to do so by a decisive defeat

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in a national election. Still, there are bound to be pressures, particularly from the Christian Democratic left, for a more open dialogue with Berlinguer's party.

The heterogeneous nature of their party will make it difficult for the Christian Democrats to reach a consensus on these issues. Any course of action will alienate some of their followers. That dilemma is particularly acute now, because Fanfani's campaign strategy resulted in a shift of the party's image further to the right at a time when the country seems to be moving left; he partially offset losses to the left by campaigning on conservative themes that drew support away from the traditional and neo-fascist right.

It will be hard, moreover, for the Christian Democrats' diverse factions to break the ingrained habit of maneuvering for internal advantage even after policy decisions are taken. One symptom of this tendency is the party's chronic inability to impose discipline on its parliamentary representatives when controversial issues are up for a vote.

In addition, the Christian Democrats can field new faces capable of improving the party's tired image only with a major internal upheaval that would risk alienating traditional supporters.

As the Christian Democrats struggle to overcome these problems, they will be competing with a Communist Party that seems unified behind Berlinguer and bent on proving that it is a moderate party with the answers to Italy's problems. The latest example of the Communist post-election strategy came last week, when Communist labor leaders took the lead in encouraging Italy's major labor federation to seek maximum employment and temper wage demands in major contract negotiations

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this fall. The federation's strategy should encourage calmer and less protracted bargaining in the fall, unless some of the militant constituent unions refuse to go along. Deputy Prime Minister La Malfa, a frequent critic of labor's policies, praised the Communist-sponsored proposals as eminently sensible.

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Afghanistan

Second Anniversary

The second anniversary this week of the military coup that restored Mohammad Daoud to power in Afghanistan finds him firmly in control of the country.

Daoud has used harsh authoritarian methods to remove or intimidate potential opponents. His rule has not yet brought much economic progress, but expectations are low among the illiterate, conservative Muslim tribesmen who make up the bulk of the population. Most Afghans--including military officers--seem to view Daoud as a strong, honest leader whose government, despite its deficiencies, is an improvement over the corrupt and ineffective royalist regime it replaced.

In foreign affairs, Daoud has maintained Afghanistan's strong ties with the Soviet Union while also seeking good relations with other countries. An exception is neighboring Pakistan; relations have suffered because of Daoud's revival of a long-standing border dispute.

Return from the Political Wilderness

Daoud became the first President of the Republic of Afghanistan in July 1973, following the overthrow of his cousin and brother-in-law, King Zahir Shah, by a group of young, generally left-wing military officers. Daoud also took the posts of prime minister, minister of defense, and minister of foreign affairs. The coup ended a 10-year hiatus in Daoud's long career as a military and political leader. King Zahir had removed him from the prime ministership in 1963 due to growing dissatisfaction with his authoritarian methods and the adverse economic effects of his hard-line policies toward Pakistan.

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Several alleged plots to overthrow the Daoud regime were easily—and ruthlessly—quashed in 1973 and 1974, and the regime now appears to have no challengers. Daoud also has steadily increased his own power while whittling down that of the "central committee," a shadowy quasi-governmental body that enjoyed considerable influence in the first months after the coup. The committee is dominated by leftist army officers. Daoud, unlike the young officers, is a pragmatist, not wedded to any ideology.

Arbitrary Rule

President Daoud rules by fiat. There are periodic reports that his government is preparing a new constitution, but so far none has materialized. Political parties remain outlawed.

Daoud, a modernizer, has reduced the power traditionally wielded by Afghanistan's ultraconservative religious and tribal leaders. Aided by generally favorable weather conditions following a severe drought in 1970-72, his government has managed to avert food shortages and has held down inflation. Economic development has been held back by an inept bureaucracy and by policies that discourage the private sector, but few Afghans seem to mind.

Daoud, now 66, has done little to provide for an orderly succession when he dies or becomes incapacitated. There could be an outright takeover at that time by the Soviet-trained army, possibly after a power struggle among various military and civilian claimants. Daoud's Mohammadzai clan, which has dominated Afghan governments for decades, will probably remain influential.

Soviet Friends and Pakistani Foes

Daoud has maintained Afghanistan's close ties with its Soviet neighbor. Moscow has long been the leading donor of military and economic

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assistance to Afghanistan and enjoys considerable influence among Afghan army officers.

The President has also sought to retain good relations with most other countries. He has shown interest in having a substantial US presence in Afghanistan and in obtaining increased US aid.

Afghanistan's relations with India have been greatly strengthened; New Delhi shares Daoud's antipathy toward Pakistan and furnishes his government with economic and military assistance. Daoud also has enjoyed considerable success in obtaining economic assistance from Iran and the Arab oil-producing states. He has been friendly toward Peking, but Sino-Afghan relations are limited by China's close ties with Pakistan and by Afghanistan's relationship with the Soviet Union.

Relations with Pakistan began to worsen shortly after Daoud's return to power. The cause of trouble was his decision sharply to increase agitation on the "Pushtunistan" problem, a dispute over the status of the two Pakistani provinces that border on Afghanistan. Kabul has long claimed that these provinces, whose people are ethnically closer to Afghanistan's dominant Pushtun tribes than to most Pakistanis, should be granted autonomy or self-determination. Daoud has strong personal feelings on this issue and may also regard it as a useful device for retaining the support of his fellow Pushtuns.

Kabul has given sanctuary and financial assistance to the Pakistan government's opponents in the two provinces. However, the Daoud regime vehemently denies Pakistani claims that it is training and equipping Pakistani dissidents for sabotage activities.

Daoud has sought to keep his dispute with Pakistan from getting out of hand. He knows that Pakistan's army is much stronger than his own, and he remembers that his militancy on the Pushtunistan issue helped cause his downfall in 1963. Late last spring the Daoud government

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reached a secret agreement with Pakistan to tone down the vituperative radio propaganda that both countries had been directing against each other. Daoud insists he wants to settle the Pushtunistan problem peacefully, but the positions of the two sides remain far apart.	~ 25X1
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Nepal

Government Becoming More Militant
On International Issues

Nepal is changing its voting policy to conform with more radical positions at international conferences. This change was first adopted at the meeting in Havana last March of the coordinating bureau of the nonaligned nations. It may become more evident at the forthcoming conference of nonaligned foreign ministers at Lima.

The Nepalese official in charge of UN affairs at the foreign ministry recently told US embassy officers that Nepal will increasingly identify itself with the mainstream of third world policies even if this means acquiescing in radical or contentious positions. He noted that in the past Nepal had registered a number of dissenting views to radical decisions through the mechanism of formal reservations. These reservations, he claimed, had had no impact on the decisions taken but had irritated some of the other members of the nonaligned group. At the Havana meeting, the Nepalese delegation had abandoned the previous policy and accepted the consensus procedure. The Nepalese official stated that this practice would be maintained in the future.

Nepal's new policy could have some impact on issues of importance to the United States at both UN and nonaligned meetings. For one thing, the Nepalese can now be expected to acquiesce in more radical proposals regarding a Middle East settlement. According to the Nepalese official, Kathmandu--Israel's only friend in South Asia in recent years--will no longer abstain on votes relating to the Palestine question. He noted, for instance, that Nepal would henceforth vote to seat representatives of the Palestine Liberation Organization in various UN bodies. He frankly admitted that the change was due principally to Nepal's need for petroleum and other economic assistance from Arab countries.

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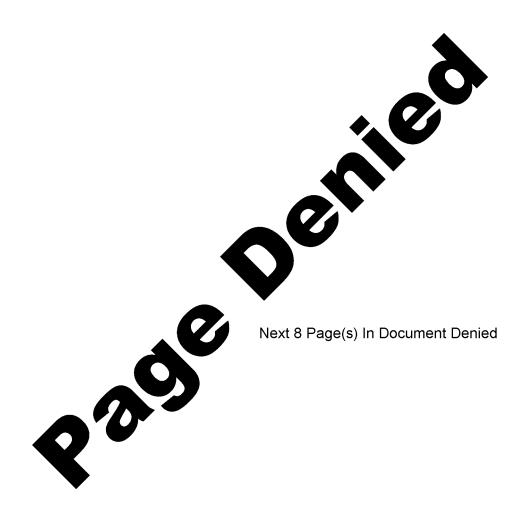
From the official's statements it appears	
likely that Nepal will also go along with more	
radical positions on Korea at both the UN and at	
nonaligned meetings. He expressed the view	
that North Korea would "certainly" be admitted	
to the nonaligned group at Lima but was less	
certain about South Korea's chances.	25X1
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